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PASS GRRICULTURE

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SUBJECT: SPECIAL AD HOC COMMITTEE ON AGRICULTURE -- FINAL REPORT
OF THE MEETINGS OF OCTOBER 7/8, 17 AND 23, 1975

REF: EC BRUSSELS 09580

1. BEGIN SUMMARY: THE SPECIAL AD HOC COMMITTEE ON AGRICULTURE HAS PREPARED ITS FINAL REPORT ON THE CAP STOCKTAKING. THE REPORT WILL BE DISCUSSED IN DEPTH FOR THE FIRST TIME AT THE OCTOBER 29-30 COUNCIL OF AGRICULTURAL MINISTERS MEETING IN LUXEMBOURG. IT IS PHRASED IN GENERALITIES AND MOSTLY OMITS MEMBER STATE POSITIONS. END SUMMARY.

2. THE EC COUNCIL SECRETARIAT HAS PREPARED A FINAL REPORT OF THE THREE MEETINGS OF THE AD HOC COMMITTEE ON THE CAP STOCKTAKING. THE REPORT WILL SERVE AS THE BASIS FOR THE FIRST IN-DEPTH DISCUSSION OF THE COMMISSION'S AGRICULTURAL STOCKTAKING REPORT BY THE OCTOBER 29-30 COUNCIL OF AGRICULTURAL MINISTERS.
WE HAVE OBTAINED COPIES OF THIS CONFIDENTIAL REPORT, AS WELL AS OF THE QUESTIONNAIRE REFERRED TO IN PARAGRAPH 3 OF THE REFTEL. COPIES OF BOTH DOCUMENTS HAVE BEEN AIRPOUCHED TO ANTHONY
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ALBRECHT, DEPT. OF STATE AND GORDON FRASER, DEPT. OF

AAGRICULTURE. COMPARED TO THE REPORT OF THE FIRST MEETING OF THE COMMITTEE (REFTEL) THIS REPORT OMITS MEMBER STATES' POSITIONS ON THE VARIOUS ISSUES. THE PURPOSE HERE APPARENTLY WAS TO GENERATE DISCUSSION IN THE COUNCIL RATHER THAN TO CATALYZE AN ARGUMENT OVER THE MERITS OF THE MEMBER STATES' RESPECTIVE POSITIONS. THIS CABLE SUMMARIES THE FINAL REPORT AND OMITS THE QUESTIONS THAT WERE FORMULATED IN EACH OF THE PROBLEM AREAS.

3. IMPROVED MARKET EQUILIBRIUM:

EQUILIBRIUM IN AGRICULTURAL MARKETS CANNOT BE SIMPLY AN ARITHMETICAL EXPRESSION OF SUPPLY AND DEMAND, AND MUST BE SEEN IN THE CONTEXT OF ECONOMIC, TRADE AND SOCIAL POLICIES. SURPLUSES PROVIDE A CERTAIN DESIRABLE MARGIN OF SECURITY EVEN IF, IN PART, AT RELATIVELY HIGH COSTS. COMPUTERIZED PROGRAMS TO DETERMINE PRODUCTION TARGETS, WHICH WIRE IN VARIOUS MARKET FACTORS IN A FLEXIBLE WAY, MAY BE A MEANS FOR IMPROVING PRODUCTION ESTIMATES. THE INCIDENCE OF TRADE WITH THIRD COUNTRIES ON MARKET EQUILIBRIUM NEEDS AN IN-DEPTH STUDY. IN AN INCREASING NUMBER OF CASES, TRADE AGREEMENTS PERMIT IMPORTS OF TEMPERATE ZONE AGRICULTURAL PRODUCTS UNDER PREFERENTIAL TERMS WHICH AFFECT COMMUNITY MARKET EQUILIBRIUM. REGARDING NON-PREFERENTIAL IMPOSTS, THE COMMUNITY CAN RESORT TO PROTECTIVE MEASURES IN THE AGRICULTURAL REGULATIONS. BUT THESE RESTRICTIVE MEASURES RISK AFFECTING THE HARMONIOUS DEVELOPMENT OF TRADE. THE QUESTION IS 'HOW CAN THE COMMUNITY RATIONALIZE ITS BILATERAL AND MULTILATERAL TRADE POLICIES WITH THIRD COUNTRIES, ON THE ONE HAND, AND WITH ITS AGRICULTURAL POLICIES ON THE OTHER?' THERE ARE TWO POSSIBLE SOLUTIONS: FOR PRODUCTS WITH NO OUTLET ON THE INTERNATIONAL MARKET, A POLICY OF LIMITS ON PRODUCTION LEAVING A REASONABLE SHARE OF THE MARKET FOR IMPORTS FROM THIRD COUNTRIES; AND, FOR PRODUCTS WITH EXPORT POSSIBILITIES, A MORE DYNAMIC POLICY TO ENCOURAGE NORMAL COMMERCIAL EXPORTS, LONG-TERM BILATERAL AGREEMENTS, SALES WITH PRIVATE FINANCING OR CREDIT, AND FOOD AID ACTIVITIES.

4. STOCKPILING CAN PLAY A ROLE IN SEEKING MARDET EQUILIBRIUM AND IN IMPROVING SUPPLY SECURITY, AS WELL AS IN MEETING EXPORT OBLIGATIONS. A COMMUNITY STOCKPILING POLICY CAN MORE-OVER, BE PLACED IN THE FRAMEWORK OF INTERNATIONAL AGREEMENTS.
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5. AS A MEANS TO CORRECT MARKET IMBALANCES, ACTIONS BASED SOLELY ON PRICES TO REDUCE PRODUCTION ARE OBJECTIONABLE FROM BOTH ECONOMIC AND SOCIAL STANDPOINTS. DIRECT LIMITATIONS ON PRODUCTION COULD BE EMPLOYED, BUT THEY WOULD SIGNIFICANTLY REDUCE FARMERS' INCOMES, AND SOLUTIONS OF THIS KIND, THEREFORE, WOULD HAVE TO INCLUDE COMPENSATION FOR REDUCTIONS IN FARMERS' INCOMES.

6. MANAGEMENT QUESTIONS:

NO DELEGATIONS FAVORED MODIFYING PRESENT RULES REGARDING THE DIVISIONS OF RESPONSIBILITIES BETWEEN THE COMMISSION AND THE COUNCIL.

7. CAP COSTS:

THE IDEA OF AN ABSOLUTE CEILING ON THE COMMUNITY'S AGRICULTURAL EXPENDITURES WAS GENERALLY DISCARDED, AND CONSIDERED BY SOME MEMBER STATES AS IMCOMPATIBLE WITH ACHIEVING A COMMON AGRICULTURAL POLICY. BUT IT WAS RECOGNIZED THAT THERE IS A NEED TO GIVE MORE CONSIDERATION TO BUDGETARY AND FISCAL RESTRAINTS WHEN THE COUNCIL OR THE COMMISSION TAKES A DECISION IN THE FISCAL AREA.

8. DAIRY PRODUCTS:

IT WAS CONCEDED THAT DAIRY PRODUCT SURPLUSES ARE STRUCTURAL IN ORIGIN AND THAT CORRECTING THE STRUCTURAL DEFICIENCIES WILL REQUIRE LARGE SUMS OF MONEY. BUT THE PRESENT DIFFICULTIES RESULT FROM POOR MARKET MANAGEMENT OR FROM A FAULTY TR** ****?1**;8*****B.***&****.*N"N***J*J***
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